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TAGS: [PREL](#) [EAID](#) [EAIR](#) [PTER](#) [KPAL](#) [KDEM](#) [BEXP](#) [LE](#)
SUBJECT: (S/NF) MGLE01: SINIORA PRESSES AHEAD ON ECONOMIC
AGENDA, PALESTINIANS; SKEPTICAL ABOUT "ISRAELI NETWORK"

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Classified By: Ambassador Jeffrey D. Feltman for reasons 1.4 (b) and (d)
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SUMMARY

¶1. (C) Ignoring an unseemly, ongoing food fight among Maronite politicians sparked by President Lahoud's non-invitation to the Francophone summit, Prime Minister Siniora used a 6/21 meeting with the Ambassador to portray his government as moving ahead on a number of fronts, including economic reform, electoral reform, and high-level appointments. He denied that he was substituting economic stimulus (through huge infrastructure and real estate projects) for economic reform, and added that he would insist on transparency and access for foreign investors to all such projects. He said a Boeing bid to supply MEA would be welcome, and that he would instruct MEA management to treat the bid "fair and square." He also accepted the Ambassador's requests to consider signing a non-surrender agreement, a TIFA, and a new bilateral assistance agreement.

¶2. (S/NF) Summary, continued: Siniora said that the Lebanese government would file a complaint against Israel in the UN Security Council for its alleged role in a May 26 bombing in Sidon that killed a Palestinian Islamic Jihad official and his brother -- but only if it could present a solid, well-documented case. He suggested that he had some doubts as to whether the Lebanese military's case for an Israeli role in the incident was really closed. Siniora said a commitment to improving living conditions in the Palestinian refugee camps was part of his strategy for disarmament of Palestinian militias present outside the camps. He offered to help counter allegations that any U.S. funding for improving camp conditions was part of a strategy to permanently resettle Palestinian refugees in Lebanon ("tawteen"). End summary.

FRANCOPHONE SUMMIT, MARONITE FIGHT

¶3. (C) Called on by the Ambassador and emboff on June 21, Siniora said he was taking a relaxed attitude to the

much-ado-about-nothing controversy stirred up by Romania's decision to invite him, rather than President Lahoud, to the upcoming Francophone summit. This had led a number of Siniora's erstwhile Maronite allies in the "March 14" coalition to accuse him of somehow weakening the institution of the (Maronite-held) institution of the presidency.

¶4. (C) Siniora said his public line was that "the people who send the invitation know how it's done, and they know the situation" in Lebanon. The resulting domestic controversy was "all a fight among the Maronites." The underlying cause of it was the need of certain Maronite politicians to posture and maneuver for a position of advantage from which to attempt to succeed Lahoud in office.

MEA: A BID FROM BOEING IS WELCOME

¶5. (C) The Ambassador told Siniora that the USG fully supports Boeing in its bid to supply airliners to Middle East Airlines (MEA). However, the Ambassador planned to dissuade Boeing's representative from meeting further with Lebanon's pro-Syrian, Lahoud-tied ambassador to Washington, Farid Abboud, unless Siniora thought that might be unwise. In other words, did Abboud have any influence with those who will ultimately decide which airplane manufacturer MEA will choose?

¶6. (C) Siniora welcomed Boeing's intention to submit a bid to MEA, saying that the Lebanese government wanted MEA be the beneficiary of competition in the marketplace. Ambassador Abboud is in a "really miserable position," not one from which he could advocate for Boeing even if he wanted to. Indicating that it would be better for all for Abboud to be dropped from the discussions (a message we will deliver to Boeing), Siniora said he would speak with MEA Chairman

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Mohammad al-Hout about Boeing's planned bid. "I will tell him to play fair and square," he said. (Comment: Boeing faces an uphill battle, for two reasons: first, MEA's 9-plane fleet is currently entirely Airbus. Second, Boeing cannot deliver new planes until 2012, and MEA's leases on four Airbus jets expire in 2007. We are working with Boeing to help find ways to fill the gap and keep Boeing competitive. End comment.)

MAKING HIGH-LEVEL APPOINTMENTS

¶7. (C) Noting that the cabinet was seemingly now in a position to make important, long-delayed, high-level appointments, the Ambassador asked Siniora if there was any possibility of Ambassador Abboud being replaced. "I'm not that optimistic," Siniora replied.

¶8. (C) A more realistic goal, Siniora suggested, was the appointment of a civil aviation security board, which he had made a priority (and which is key to enforcing security regulations at the airport). In "a real breakthrough," candidates are being selected through a merit-based evaluation process. Siniora claimed that even he would not know which candidates have been selected until an announcement is made. His government was also making rapid progress on the appointment of a Telecommunications Regulatory Authority (TRA) (comment: formation of which has till now languished since legislation authorizing it was passed several years ago). Siniora had personally interviewed 44 candidates for the TRA, and all were "really very good."

PUSHING AHEAD WITH PRIVATIZATION...

¶9. (C) Another area where Siniora intended to "move quickly" was privatization. Specifically, he wanted to press for

privatization of the Intra Investment Company ("Intra"), the major shareholder of, among other things, MEA and the Casino du Liban. Siniora noted that the Lebanese Central Bank holds about 35 percent of Intra's shares, while the Lebanese government itself holds about 10 percent.

¶10. (C) A central bank should not normally be in the business of running what would otherwise be private companies, Siniora said. In addition, "to me, Intra is a symbol of corruption." For the past 40 years, "they've been milking Intra" in order to "feed" corrupt politicians and the Lebanese-Syrian security and intelligence apparatus.

¶11. (C) Since the shares were on the Central Bank's balance sheet, it was ultimately a Central Bank decision. Although the Central Bank has so far proposed selling only 25 percent of Intra's shares, Siniora said that he would push for more. In any case, Siniora added, 80 percent of the proceeds of sales of Central Bank-owned shares would go to the Lebanese treasury.

... AND WITH ECONOMIC REFORM IN GENERAL

¶12. (C) Siniora said his government was pursuing three main courses of action in economic reform. First, it was finalizing the economic reform program, completing work, "hopefully," by the end of this week. It was also preparing to publicly launch the new budget. Later, in time for the one-year anniversary of the Siniora cabinet's taking office in late July, it would conduct a "complete inventory of what's been accomplished" over the past year.

¶13. (C) When it came to obstacles standing in the way of his economic policy agenda, "my problem," Siniora said, "is in my group." (He was referring to the "March 14" parliamentary majority.) A "not-in-my-backyard" attitude among many "March 14" members was becoming a problem. A recent example was Telecommunications Minister Marwan Hamadeh's complaint that the government's waste management policy threatened to turn the Chouf and Aley into the country's dumping grounds.

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(Comment: The Chouf and Aley are where the bulk of the constituency of Druze leader Walid Jumblatt, of whose parliamentary bloc Hamadeh is a member, lives.)

¶14. (C) Siniora denied that he was abandoning an economic reform program based on fiscal adjustment and liberalization in favor of Lebanon spending its way out of low growth through massive infrastructure and real estate development projects. Such large projects were on track, but funding would come "one hundred percent" from the private sector, he said.

¶15. (C) The Ambassador expressed concern about harmful appearances of conflict of interest with some of these projects. (Comment: This is a particular concern with "LENOR," a proposed redevelopment of the coastal areas of Beirut's northern suburbs. Its principal advocates within the government are also among its largest shareholders: Deputy Prime Minister and Defense Minister Elias al-Murr, Minister of the Displaced Nehmeh Tohme, and Minister of Public Works and Transport Mohammad Safadi. End comment.)

¶16. (C) "I want things to be entirely transparent," Siniora said in reply. The government would not give the go-ahead to any project on the basis of favoritism. All of these large projects would be "one hundred percent" open to international bidding, and he would not accept any bids that were simply a negotiated carve-up by political power-brokers. This also applied to the telecommunications sector, Siniora insisted.

TIFA IN THE WORKS

¶17. (C) The Ambassador told Siniora that the USG is seeking to have a Trade and Investment Framework Agreement (TIFA) in place for the "Made in America" export promotion exhibit, scheduled to take place in Beirut in September. Siniora said he would discuss the matter with Economy and Trade Minister Sami Haddad (comment: whose response on the draft TIFA we are currently awaiting).

ELECTORAL REFORM: SO FAR, SO GOOD

¶18. (C) On electoral reform, Siniora said he would allow two more weeks for a cabinet session devoted to discussing the draft electoral law recently submitted by a blue-ribbon national commission. Resistance to the draft law had so far not been as great as Siniora had anticipated. He had recently had a "very good" meeting with the Maronite Patriarch, by the end of which, Siniora claimed, he and the Patriarch had agreed on "every issue." (Comment: Of all the leaders in the Christian community, whether temporal or spiritual, the Maronite Patriarch will likely have the most influence on the degree of support, or lack of it, the draft electoral law.)

NON-SURRENDER AGREEMENT

¶19. (C) Noting reports of possible Lebanese government interest in signing the Rome Treaty and joining the International Criminal Court, the Ambassador reiterated USG interest in signing a non-surrender agreement with Lebanon. This has become a matter of urgency, he told Siniora, because it now has implications for future U.S. military assistance to Lebanon. He urged Siniora not to sign the Rome Treaty before addressing this issue.

¶20. (C) Siniora asked several questions about the compatibility of a non-surrender agreement with the Rome Treaty. He then passed background materials on a non-surrender agreement, provided by the Ambassador, to his advisor Rola Nouredine for action. For the time being, he advised the Ambassador, the Embassy should not raise this issue with Foreign Minister Salloukh.

BILATERAL ASSISTANCE AGREEMENT

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¶21. (C) The Ambassador provided Siniora with some background on the current bilateral assistance agreement between the United States and Lebanon, which dates back to the 1950s. A new agreement may be necessary to accommodate present-day requirements of assistance, such as duty-free access for donated equipment. In response, Siniora suggested, "let's look at the proposal in a very discreet manner."

PHARMA PROBLEMS WITH HEALTH MINISTRY

¶22. (C) The Ambassador described to Siniora problems recently experienced with Health Minister Khalifeh on the issue of intellectual property rights (IPR). Khalifeh has refused to meet with a pharmaceutical industry IPR task force, and has become abusive in his meetings with pharmaceutical industry representatives, the Ambassador said. Khalifeh has not followed through on the Prime Minister's proposal to form a task force with the industry to look at ways to address IPR issues.

¶23. (C) Siniora expressed surprise at his minister's behavior, suggesting that, regardless of the minister's differences with the pharmaceutical industry, it made no sense to refuse to meet with them. He tasked Nouredine with following up on the matter.

¶24. (S/NF) The Ambassador asked about the Lebanese military's claims to have broken an Israeli-controlled network allegedly behind a May 26 bombing in Sidon that killed Palestinian Islamic Jihad official Abu Hamzeh and his brother. Siniora said he understood that one person, a Mohammad Rafeh, has been detained by the Lebanese authorities and is being interrogated; he has reportedly been revealing a great deal of information about the alleged Israeli network. Consequently, at the last cabinet meeting, Siniora and his ministers agreed on a proposal (offered by Foreign Minister Salloukh) that Lebanon file a complaint against Israel in the UN Security Council.

¶25. (S/NF) Siniora said he agreed to this on the condition that any such complaint had to be "well prepared and documented." He suggested that the Lebanese authorities were not yet in a position to do so, noting that he had so far received only oral briefings on the investigation's progress. He got the impression that certain participants in the cabinet session were trying to "prepare" linkages between the May 26 Sidon incident and the 14 cases of assassinations, assassination attempts, and bombings that the UN International Independent Investigation Commission (UNIIIC) has been mandated to assist the Lebanese authorities in investigating.

LAHOUD, OTHERS USE IT TO MUDDY THE WATERS

¶26. (S/NF) Siniora said that, even though Deputy Prime Minister and Defense Minister Murr refuted the idea of linkages between the May 26 incident and the 14 other cases, President Lahoud appeared to be advocating it, and this idea had been spread by the news media. Siniora said he was not in a position to say whether or not the accusation of Israeli responsibility for the Sidon assassinations was correct, much less whether there was any connection between it and the other 14 cases. "We need a serious exchange of information with the international community" in order to make a determination. In the last cabinet meeting, he had discouraged any attempts to "falsify" information in order to make it look as if linkages really existed.

¶27. (S/NF) Siniora then had told the cabinet that it would be "a great help" to share what had been discovered in the course of the investigation of the May 26 incident with the UNIIIC. This had not yet taken place. "We'll see if it can

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be done," he said. It had to be done through the "proper channels," which would most likely be state prosecutor Said Mirza.

INVESTIGATION LEAVES SINIORA WONDERING

¶28. (S/NF) Siniora briefly described the findings of the investigation as he understood them. Mohammad Rafeh had recently brought an automobile to his home town of Hasbaya in the western Biqa'a Valley, and covered it for some time with a sheet or tarp. Later, he drove it to Sidon, where he replaced one of the doors. (There was no sign of the original door.) Finally, he drove the car to the site of the attack on Abu Hamzeh and his brother, and got into another vehicle, a van, parked nearby. While in communication with an Israeli military aircraft, Rafeh caused an explosive device -- presumably in the car's newly-installed door -- to be detonated. Siniora noted reports that Abu Hamzeh was very close to the leadership of Hizballah.

¶29. (S/NF) Siniora admitted that he found curious the account of how Mohammad Rafeh had been discovered. The

authorities arrested Rafeh after his sister, in Hasbaya, was reportedly overheard saying "that's my brother's car" while watching video footage of what was left of the car, following the explosion that killed Abu Hamzeh and his brother, on a television news report. Supposedly, she had recognized the smoldering hulk of the automobile by the license tag still attached to it. Siniora thought it unlikely that one would recognize a blow-up vehicle, glimpsed briefly on a television screen, by its license tag.

130. (S/NF) "Okay, I don't know," Siniora said, suggesting that he had suspended judgment about the veracity of the account until the investigation proceeded further. "We'll have to wait and see," he said.

PALESTINIAN MILITIAS: SINIORA'S PLAN

131. (S/NF) The Ambassador pointed out that the deadline for confinement of Palestinian arms and armed personnel to the refugee camps -- agreed on during the National Dialogue talks -- was only about three months away. He expressed disappointment that Interior Minister Fatfat, during recent meetings in Washington, had seemed to indicate that Lebanon's ability to meet the deadline depended entirely on cooperation from the Syrian government.

132. (S/NF) Siniora said that "definitely, Syria has a role to play" in dealing with those Palestinian rejectionist groups with paramilitary bases outside the refugee camps. A solution required making "more noise" about the continued violations of Lebanese sovereignty that these Palestinian groups commit. It also required coordination with the heads of state of other Arab governments, particularly those of Egypt and Saudi Arabia, and with the Arab League's Secretary-General. "Nothing will come of it," Siniora

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candidly admitted, but it was imported to continually convey the message that "we," the Lebanese, "are the victims" in this case.

133. (S/NF) Finally, Siniora said, he intended to press ahead with a message to the Palestinian refugee population in Lebanon that "I am serious" about improving living conditions in the camps. Siniora said, "I need to strengthen my hand," in order to counter the unhelpful message of his opponents, who tell the Palestinians that Siniora's government offers them no incentive to disarm.

134. (S/NF) The Ambassador told Siniora that, should the USG be able to respond positively to the PM's request that we participate in funding efforts by the UN Relief and Works Agency to improve living conditions in the camps, we would need him to help counter accusations that it was doing so as part of strategy of "tawteen," permanent resettlement and nationalization of Palestinian refugees in Lebanon. "Sure," Siniora answered. He would make it clear that international

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support for improving living conditions in the camps was at his request. "I will assume responsibility," he said.

FELTMAN